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The Changing Economic Order in China
Trends and Limitations

Far-reaching changes in the People's Republic of China's economic and social policy have been decided and carried out since 1978. The following article analyses a number of selected aspects of the economic order to illustrate the direction the reforms are taking and the limitations to which they are subject.

China's internal economic and social reforms have been accompanied by a rapid opening towards the outside world. The resolutions of the 13th Party Conference in October 1987 and the decisions taken at the National People's Congress that closed recently have dispelled most doubts about whether China will continue to pursue the course of pragmatic reform. As a result of these changes, the People's Republic of China is now a significant economic force in the Pacific basin and a nation that is a factor in world politics. It may be assumed that China's position in the family of nations will continue to strengthen.

It is impossible to describe and assess all the areas of economic reform within the scope of a general article. A few selected areas of the economic order will therefore be analysed to illustrate the direction the reforms are taking in China and the limitations to which they are subject. Emphasis will be placed on:

- changes of organisation and personnel within the Party and the Government;
- the reform of property and control rights in the urban economy;
- labour "market" problems and the beginnings of reform;
- a number of trends in agriculture;
- the housing problem.

The problem of the party and the government being parallel organisations and intertwined was recognised earlier in China than in any other socialist country, but it has still not been solved. It therefore comes as no surprise to find a Chinese newspaper, the Guangming Daily, calling recently for greater efforts to achieve a clear separation of functions between the party and the government. It was no longer acceptable, the paper declared, that senior civil servants bore formal responsibility but in fact the party unit took the decisions. What is surprising, however, is that the separation of powers among the legislature, executive and judiciary in western democracies should be mentioned as a possible model for reform.

The unsatisfactory situation is to be resolved by two measures; first, a clear separation of powers between party and executive is to be achieved in that the party will confine itself to making important personnel decisions and laying down organisational guidelines, and secondly constant attention will continue to be paid to reducing the cumulation of party and governmental offices by a single person. Indeed, there is still scope for progress in this area.

Reorganisation of Governmental Bodies

The amalgamation of ministries and commissions and the establishment of new reform bodies constitutes a second important change.

As the responsible member of the State Council, Song Ping, announced recently before the National People's Congress, 14 ministries are to be abolished and 10 new ministries and commissions formed. This will be accompanied by the removal of a total of 10,000 posts, around 20% of the current body of officials. The amalgamation of the State Economic Commission and the State Planning Commission and the reduction of their staff from 4,000 to 1,500 seems particularly

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noteworthy. The authorities justify the amalgamation on
the grounds that detailed central planning of production
has been largely abolished, so that the State Economic
Commission no longer needs to implement the plan by
means of directives. The Commission’s loss of
importance is correspondingly large.

In contrast, the plan to form a mammoth transport
ministry by merging the Ministry of Railroads, the
Ministry of Telecommunications and the state airline
CAAC appears to have been shelved for the time being,
although it is not yet clear why the amalgamation did not
go ahead.

The Commission for the Restructuring of the
Economic System, which was set up as recently as
1982, is thought to play a particularly significant role in
the development of economic reforms over the medium
term. The Commission, to which is attached a research
institute staffed by highly qualified young graduates, is
regarded by insiders as a think tank and the most
important source of advice to the Party and the
Government on economic reform measures. A further
sign of the Commission’s importance is the fact that after
the close of the 7th National People’s Congress Li Peng
resigned as Chairman of the State Education
Commission to head the Structural Reform
Commission.

As an outside observer, one may ask how the
emphasis constantly laid on decentralisation intentions
and measures can be reconciled with the amalgamation
of a series of ministries into so-called commissions with
nationwide powers. Will this not create new
bureaucracies with even greater central power? The
author sees no contradiction here, providing the
commissions’ functions are narrowed to taking
decisions of principle and monitoring compliance and
the number of ministry officials is significantly cut.

This appears to have occurred when the State
Education Commission was set up several years ago.
There had previously been a series of ministries, which
were each responsible for a few universities and often
interfered even in their day-to-day activities. One
consequence of this was a lack of uniform rules for
courses and the assessment of university
examinations. That has now changed; the SEC is
responsible only for granting the right to establish
training courses and to bestow university degrees, such
as master’s degrees or doctorates, and some progress
has also been made towards uniform qualification
standards. At the same time, the individual universities
could be given greater freedom to settle detailed
questions.

Significant changes have also been made in the area
of personnel, the most important aspects being a
reduction in the average age of state officials, the
replacement of bureaucrats by technocrats and the
replacement of reform opponents by reform advocates.

Recognition of Individual and Private Property

In accordance with Marxist doctrine, socialist
countries believed for decades that state ownership of
the means of production was the most desirable form of
ownership. The People’s Republic of China was one of
the first socialist countries to move away from this
dogma. A distinction has to be made here between two
lines of development: one restored the recognition of
private ownership of means of production and the other
shifted the powers of decision in state enterprises from
the bureaucracy to the plant management.

As part of the first line of development, it is now
accepted in China that it can be sensible and useful to
have other forms of ownership alongside state
ownership. Whereas co-operative ownership was
already known in Hungary, the German Democratic
Republic and the Soviet Union as a concrete form of
social ownership, especially in agriculture, and to that
extent was nothing new, the same is not true of
individual ownership, let alone private ownership. China
has permitted individual ownership of means of
production since the end of the Cultural Revolution and
has afforded it the protection of the state; since last year
private ownership has also been allowed and embodied
in the constitution.

In mid-1987 there were just under 15 million individual
enterprises, which may have no more than seven
employees, and at least 70,000 private enterprises
employing around 1.2 million workers in the urban
economy. Private enterprises not infrequently have
several hundred employees. They may have been set up
originally as individual enterprises, but there are also
joint stock companies and an increasing number of
private enterprises that came into being as a result of the
sale or lease of former state enterprises to private
individuals.

That there are not already many more private
enterprises is probably due mainly to the fact that private
ownership had no protection in law, workers in this
sector have no social security and there are still many
obstacles that have been built up by the local authorities.
Moreover, for decades the private ownership of means
of production was derided as a capitalist relic and many
people still suspect that the same could happen again.
Small wonder therefore that so far very few workers in

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